

DIRECTORATE OF INTELLIGENCE

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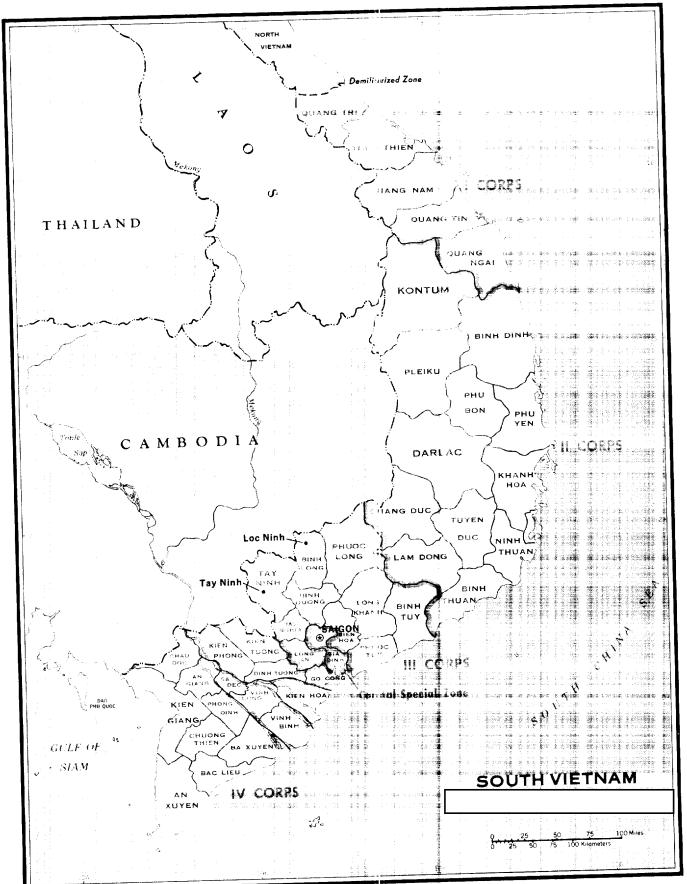
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South Vietnam: Reports of ground activity diminished somewhat over the weekend, but prisoner reports continued to indicate that the Communists plan to mount major attacks in III Corps in the latter part of this month.

An allied drive into the eastern Demilitarized Zone on 14 September produced heavy contact with enemy units. US and South Vietnamese troops reported killing 158 Communists and uncovering several ammunition caches before withdrawing. Allied casualties in the one-day operation were described as light.

Elsewhere in the I Corps area several sharp engagements were fought in the vicinity of most of the major population centers. Generally, however, the level of ground activity throughout the country was below that of recent days. A few clashes were reported around Tay Ninh and Loc Ninh in III Corps.

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President Thieu, apparently responding to pressure from some influential quarters, reportedly will ask exiled General "Big" Minh to return home and serve as a presidential adviser. Although Thieu has placed no conditions on Minh's return, he hopes that the hero of the 1963 overthrow of Diem can be used to bring increased support for the government and be prevented from making common cause with opposition elements.

Czechoslovakia-USSR: Prague leaders over the weekend called for complete Czechoslovak submission to the Moscow agreement, as reports continue to circulate that Dubcek's days as party chief are numbered.

Dubcek, Premier Cernik, and President Svoboda have again indicated that their ability to implement some of Dubcek's liberal reforms will be determined by how well Prague fulfills its commitments to Moscow.

Soviet emissary Kuznetsov has been searching for a replacement for Dubcek, according to the US Embassy in Prague. Slovak Party First Secretary Gustav Husak reportedly tops the list of candidates. The Soviets are said to be contrasting Husak's political naturity and experience against Dubcek's naivete, apparently in an effort to convince the Czechoslovaks that their relations with Moscow would be improved by such a shift.

Dubcek's standing with the Czechoslovak population remains high, however, and the US Embassy believes that the Soviets would risk serious public reaction or at least a reduced willingness to comply with the Moscow accord if they insist on Dubcek's ouster.

The US military attaché in Prague reported that large Soviet forces moved out of Prague on the night of 11-12 September, and there are almost no Soviet troops and tanks remaining in the city. He said that major concentrations of Soviet troops were just outside the city and "can be rapidly committed in one to two hours" if the situation changes.

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Sweden: The long-dominant Social Democrats won an upset victory in yesterday's national elections, gaining a clear majority in parliament for the first time since World War II.

The major factor in the Socialist victory was the debacle suffered by the Communists who had desperately sought to dissociate their party from Moscow's actions against Czechoslovakia. The three non-Socialist opposition parties, which prior to the elections had high hopes of breaking the Social Democrats' long control of the government, made only marginal gains.

It is clear that without the Czechoslovak crisis and its sharp impact on the electorate the Social Democrats would have been in serious trouble, mainly because of deep dissatisfaction over such domestic issues as the continuing housing shortage and inflation. For this reason, Prime Minister Erlander and the Social Democratic leadership are likely between now and September 1970--when a unicameral parliament will be elected for the first time--to concentrate on developing more dynamic domestic policies and play down such issues as Vietnam.

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Egypt-Israel: Speeches by Nasir and Eban in the past few days have taken a relatively conciliatory tone, possibly to quiet popular emotions in Egypt.

Nasir, in an unusually short speech on 14 September before the congress of the Arab Socialist Union, made no mention of the major clash last week along the Suez Canal. Although he said that the armed forces were the means of liberating the occupied territories, he pointed out that the "liberation" stage of Egypt's rebuilding process has not yet been attained.

Israel's Foreign Minister Eban stated on 13 September that he considered the Suez incidents as "isolated outbreaks" and that the cease-fire could be maintained or even strengthened.

These statements come when official Egyptian news media have been fanning popular anti-Israeli feelings to an unusually high pitch. If Nasir's moderate tone is not quickly reflected in the press, any further armed incidents could easily trigger an over-reaction by military commanders without concern for the possible consequences.

NOTE

Mexico: The impasse between the government and students continues, but there are tentative indications that the student strike movement may be losing some of its momentum. Press reports indicate some disunity among student groups over prolongation of the strike, and four members of the leftist-extremist strike committee at the National University have reportedly resigned. The student protest march on 13 September attracted a reported 75,000-100,000 participants--about half the number that marched on 27 August--but there were no incidents of violence.

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